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SWITZERLAND — A NEUTRAL "AT WAR."

(*"Christian Science Monitor,"* 17th May, 1941.)

There are two sides to the growing economic problem confronting Switzerland to-day — the north side and the south. One has only to strike a straight line through the centre of these two sides to grasp the gravity of Switzerland's position, for the line parallels the path totalitarian warmakers have worn between Berlin and Rome.

The two-sided peril to which Switzerland's geography subjects her results mainly from remorseless economic pressures originating within the Axis countries. The way of a neutral is hard under the ordinary rigors of war. But in the case of a small, freedom-loving nation fenced in by powerful neighbours to whom smallness and freedom are signs of national weakness, its plight is relatively worse.

One of the inspiring things about Switzerland's attitude to-day is that the resolute, resourceful people dwelling within the shadows of her magnificent mountain grandeur have shown no sign of succumbing to the more ominous kind of shadows which confront them from the north and from the south.

Switzerland clings to its independence largely by totalitarian sufferance. What this is costing Switzerland is clearly indicated in the heavy tribute which Germany and Italy have exacted of Swiss industry and Swiss agriculture to help supply them with the food and machines they need to carry on the war against Britain.

Statistics no longer supply the facts with which to appraise Switzerland's economic position. The last reports on trade between Switzerland and the United States — for 1939 and 1940 — pointed to a record volume. This was due largely to a desire in both countries to stock up on essential goods because of the fear that trade between the two countries would be cut off by the impending outbreak of war.

The Swiss Government has ceased publishing commercial statistics, and figures supplied by the United States Bureau of Foreign and Domestic Commerce contain little specific information because their trade reports are computed according to the port of destination rather than to the country to which the goods are destined. Switzerland, having no sea coast, has no ports to which goods may be shipped directly. For this reason her normal trade appears rather in the statistics of Rotterdam, Antwerp, Genoa, Hamburg, Marseilles.

Naturally, the volume of Swiss imports upon navicerts are being granted amounts to a mere trickle of their normal, peacetime flow. The determination with which Switzerland is striving to adjust her economic policy to this fact calls forth sacrifices which, if less spectacular, are no less real than those Britain and her active war allies are making in the common cause of freedom.

Easing of the British contraband control would help to stimulate Swiss trade by increasing the flow of raw materials essential to Switzerland's trade and her existence. But one of the hard-and-fast rules of the British blockade is that Switzerland be permitted to lay up very limited reserves of raw materials. To

permit unlimited stock-piling would be to invite Germany to move in and seize these Swiss reserves.

Two avenues of overseas trade remain open to Switzerland at the time this is written. One is the motor transport line running to Lisbon. It is impossible to learn the exact volume of commerce moving over this highway. Informed Swiss sources say it is by no means inconsequential. Air communication overseas by way of Lisbon offers another trade outlet. It is largely by this route that Switzerland maintains its American market for watches. There were some 6,000,000 sold in the United States last year. Nearly 5,000,000 of them were made in Switzerland. Neither of these trade routes affords Switzerland access to vital raw materials essential to her highly developed industrial economy.

Statistics do not reveal the full impact of Switzerland's courageous struggle to live down the remorseless axiom circumstances attach to an industrial nation within the radius of war — import or die. That is a story best told in the willingness with which the Swiss people are submitting to rigorous economic planning.

Official figures are not available regarding the country's food reserves. But rationing of most foodstuffs already is in effect. Self-sufficiency can be obtained in milk and its by-products, such as butter and cheese, Switzerland can also supply her own domestic fruits and vegetables, including potatoes. But there is a serious lack of wheat and other essential cereals.

Switzerland is striving to overcome these deficiencies in foodstuffs by increased acreage, largely by reduction of pasturage. This step in turn will require the slaughtering of 100,000 cows and a great many pigs. This leaves 900,000 cows, enough for the country to eke out its milk supply.

The basis of Switzerland's normal industrial life lies in her output of excellent machine products. As the result of economic agreements concluded late last year with her Axis neighbours, Switzerland is supplying them with heavy machinery. In return, Germany has agreed to supply Switzerland with coal for an unspecified time.

Needless to say, Switzerland is getting the short end of the deal. One of the provisions of the Swiss-Axis trade agreement is that Switzerland must extend credits for exports to Germany. What this means in plain everyday terms is that the Swiss must advance loans to Germany so that the Nazis may be able to "buy" Switzerland's machinery. What this means when translated into longer hours of labour on Swiss farms and in Swiss factories must also be apparent.

Not only must Switzerland support a large standing army on a national economy that is gradually shrinking under the pressure of blockade, but — for the sake of keeping her workers employed, if nothing more — she must subsidize her exports to Germany. This is part of the price Switzerland is compelled to pay because of her geographical position between Hitler and his Axis partner on the deep, blue Mediterranean.

How long she can maintain this economic relationship with totalitarian powers which are themselves being progressively squeezed by the British blockade

is a question now taxing the ability of Switzerland's governmental planners.

Outwardly, the controls which the Swiss Government has been obliged to impose upon its people seem not unlike those decreed by their Axis neighbours. The courageous complacency with which they are borne by the Swiss folk is tempered by an understanding that sustains all free peoples. However rigorous they may seem, the Swiss realize that these restrictions are only temporary. Under dictatorship, they become the everyday policy of ruthless overlords. One senses that in the large extent to which she has submitted temporarily to strong centralized economic control is Switzerland seeking to do her part in strengthening democracy's hand everywhere.

As an industrial nation, Switzerland naturally is aware of the ruthless obstacle a victorious Germany would present in the quest for postwar markets. Switzerland's willingness to bear these wartime restrictions unflinchingly is the national expression of a collective will to help hasten the day of freedom toward which the democracies are striving.

SWITZERLAND ENCIRCLED.

(*"Economist,"* 12th July, 1941.)

Landlocked Switzerland is rapidly losing the measure of economic independence the country still enjoyed, in spite of the war, before the collapse of France. Outwardly, there is hardly any change in the "war economy" that was organised in Switzerland at the beginning of the war. Then, large stocks of foodstuffs and raw materials prevented serious difficulties; but now these stocks are disappearing, and industrial self-sufficiency is not possible in a mountainous country without coal, iron or metal resources. In order to be self-sufficient in cereals alone, Switzerland would need to double the area at present under cultivation, which would take five years at least. Lack of feeding-stuffs has resulted already in a reduction of the cattle and pig population, and the fat content of margarine has had to be reduced from 84 per cent. to 75 per cent. In general, Swiss industry is caught between two fears. On the one hand, the elaborate organisation of the "war economy" is thought to be a menace to private industry; on the other hand, without it, German economic penetration would find no obstacle. So far, the interdependence of Swiss and German capital and industry has prevented direct German economic penetration. There are a number of Swiss holding and manufacturing concerns which have large capital interests in German and other European concerns. Because of the country's strong capital position, Swiss reinsurance companies have played an important part in Europe's insurance industry. The war, however, has ended the valuable tourist industry. Tourist arrivals from foreign countries fell from 1,000,536 in 1939 to 130,397 in 1940. Swiss income from capital investments in foreign countries is also decreasing, and a good many companies operating in German occupied countries are paying no dividends.

Formally, Switzerland's economy remains independent. But the domination of Swiss foreign trade

by Germany and Italy make this independence precarious. The value of foreign trade has moved as follows:—

| (Millions of Swiss Francs) | | | |
|----------------------------|-------|-------|--|
| 1938..... | 1,607 | 1,317 | |
| 1939..... | 1,889 | 1,298 | |
| 1940..... | 1,854 | 1,316 | |
| 1940 First Quarter | 614 | 331* | |
| 1941 " " | 448 | 326 | |

* The heavy increase in world prices following the outbreak of war is of course omitted from these figures. (Ed. S.O.)

From July to October, 1940, exports exceeded imports, and the import difficulties are clearly shown by the further fall in the first quarter of 1941.

The most significant changes, however, have been in the direction of foreign trade. The shares of European and overseas countries in the first quarters of the years from 1939 to 1941 are shown in the following table as percentages of total trade:—

| | Imports from | | Exports to | |
|--------------------|--------------|----------|------------|----------|
| | Continent | Overseas | Continent | Overseas |
| First Quarter 1939 | 76.8 | 23.2 | 76.4 | 23.6 |
| " " 1940 | 64.5 | 35.5 | 70.2 | 29.8 |
| " " 1941 | 90.0 | 10.0 | 80.9 | 19.1 |

Before the collapse of France, Germany's share in Switzerland's foreign trade actually fell. Since July 1940, British and French commodities have practically disappeared from the Swiss market, and American goods have become very scarce. Swiss exports to overseas countries, however, are still substantial. Since the Axis occupation of Yugoslavia and Greece, shipping difficulties have increased, however — Switzerland chartered Yugoslav and Greek ships — and the creation of a Swiss merchant navy has made little headway.

There is no competition to German goods in Switzerland; only Italy and Sweden are also still offering goods in quantities comparable to pre-war imports. If Germany decided to end Swiss industrial activity or to put pressure on the country, the suspension of sales of coal and iron and steel manufactures would be sufficient. Germany and Italy easily succeeded in securing autonomy for their transit traffic through Switzerland. The principle of the Central Clearing through Berlin has been accepted for Switzerland's foreign trade with Belgium, Holland and Norway. Swiss objections to German agents trying to negotiate trade transactions between Switzerland and German occupied countries have not been successful.

Acute shortages of feeding-stuffs, fats, coal, petrol, metals and textile materials have to be met by rationing and by the creation of substitute industries. Plants for the sugarisation of wood for feeding-stuffs have been in operation since 1940. Electric power plants are rapidly being expanded, and wood-gas generators are extensively used in motor-cars. Disused mines in the Jura mountains have been reopened. The production of cellulose has been increased, and factories for the manufacture of cellwool after the German model are under construction. In the textile industry, Germany has used her position as the leading producer of cellwool to obtain a reduction in import duties, whereas before the war Switzerland persistently resisted this demand.